GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:914
ANSWERED ON:17.08.2007
LIC POLICIES-DELETION OF FORFEITURE CLAUSE
Joshi Shri Pralhad Venkatesh

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that High Court of Karnataka has struck down in a writ petition the forfeiture clauses relating to LIC policies;

(b) if so, the details thereof;

(c) whether the High Court has also directed LIC branches in Karnataka to call all such policy holders whose policies lapsed due to non payment of premium for three years period;

(d) if so, the details thereof;

(e) whether the Government has any proposals to bring in policy changes in respect of LIC policies to remove all forfeiture clauses;

(f) if so, the details thereof; and

(g) if not, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Yes, Sir. The Life Insurance Corporation of India (LIC) has reported that the Hon`ble High Court of Kamataka in Writ Petition No.22682 of 1994 vide its order dated 14.12.2006 has directed the Corporation that in the event of the policy holders being unable to continue their policies by paying the premium, without invoking the forfeiture clause, the amounts paid by the policy holders be returned to them without waiting till the expiry of maturity period. The Hon`ble Court has also directed that it is for the LIC to entertain such claims which are not time barred and to return the premium amount paid including benefits accrued till such time.

(c) & (d) : Yes, Sir. However, LIC has informed that it had filed a Writ Appeal and the Hon`ble High Court has been pleased to grant stay on the operation of the order passed by the single bench in the writ petition No.22682 of 1994. Hence, the order striking down the forfeiture clause is not operational in view of the stay order granted by the Hon`ble Court.

(e), (f) & (g): No, Sir. Section 113 of the Insurance Act, 1938, requires payment of premium for a minimum period of three years. Accordingly, LIC has stipulated payment period of three years for a policy to acquire a paid up value.